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Financial Highlights

For the Year

	1967	1966
Net earnings	\$ 2,523,000	\$ 2,399,000
<i>Per share</i>	60¢	57¢
Gain on disposal of investments	2,110,000	—
Amortization, depreciation	1,925,000	1,933,000
Outside exploration written off	530,000	523,000
Cash flow	\$ 7,088,000	\$ 4,855,000
<i>Per share</i>	\$1.67	\$1.15
Dividends paid	1,254,000	969,000
<i>Per share</i>	30¢	25¢

At the Year-End

Working capital	2,706,000	1,361,000
Non-current liabilities	—	3,900,000
Shareholders' equity	49,942,000	44,087,000
Unrealized appreciation on quoted investments	20,569,000	12,585,000

The Patiño Mining Corporation (No Personal Liability)

Directors

Count du Boisrouvray, Geneva
E. R. E. Carter, Toronto
George Gutiérrez, Toronto
William F. James, Toronto
Stephen P. Ogryzlo, Toronto
Jaime Ortiz-Patiño, Geneva
Antenor Patiño R., Paris
Sidney H. Robinson, Q.C., Toronto
F. G. Tucker, Toronto
William P. Wilder, Toronto

Officers

Antenor Patiño R., Chairman of the Board
E. R. E. Carter, President and Chief Executive Officer
George Gutiérrez, Vice-President (Corporate Affairs)
Stephen P. Ogryzlo, Vice-President (Mining)
F. G. Tucker, Vice-President (CDRH Group and SMAA Group)
A. R. Andrew, Vice-President (CTS Group)
J. A. McKee, Vice-President (Corporate Development)
P. J. Keenan, Vice-President (Finance) and Treasurer
J. D. Kadlec, Assistant to the President
F. van de Water, Controller
J. W. Lay, Secretary

Head Office

Chibougama, Quebec

Executive Office

7 King Street East, Toronto

Auditors

Price Waterhouse & Co., Toronto

Bankers

Bank of Montreal

Counsel

Toronto—Holden, Murdoch, Walton, Finlay, Robinson, Pepall & Harvey
Montreal—Ogilvy, Cope, Porteous, Hansard, Marler, Montgomery & Renault

Transfer Agents and Registrars

National Trust Company, Limited, Toronto, Montreal and Vancouver
Canada Permanent Trust Company, Saint John

Directors' Report

The problems of 1967, which unfortunately remain, became more acute as the months passed. Despite this, your Corporation had a successful year and the Patiño Group extended further its interests. The difficulties included: implications of Viet Nam, labour unrest, inflation, tight money, the devaluation of sterling and other currencies, pressures on the dollar, Britain's unsuccessful efforts to enter the Common Market, and in Canada in particular, indecisive political attitudes, rising government expenditure and plans for tax reform.

Net earnings were \$2,523,000 (\$2,399,000) and earnings per share 60¢ (57¢) based on 4,236,800 shares presently outstanding. A capital gain of \$2,110,000 (50¢ per share) realized on the sale of investments—principally shares of Occidental Petroleum Corporation—is not included in 1967 earnings. Cash flow was \$7,088,000 (\$4,855,000) and per share \$1.67 (\$1.15). Amortization and depreciation aggregated \$1,925,000 (\$1,933,000) and outside exploration written off was \$530,000 (\$523,000). Dividends of \$1,254,000 (\$969,000) were paid at the rate of 30¢ (25¢) per share. At December 31, 1967 shareholders' equity (including unrealized appreciation on quoted investments but taking investments in Spain and New Caledonia at cost) was \$70,511,000 (\$56,672,000), working capital was \$2,706,000 (\$1,361,000) and there were no non-current liabilities (\$3,900,000). During the year Compañía de Bonos, Acciones y Negocios Industriales, S.A., exercised its option on 300,000 shares and 100,000 shares remain under option to July 31, 1968. Under the Employee Stock Option Plan 61,250 shares were issued and options are outstanding on 41,200 shares.

Earnings from the Copper Rand Mines Division were maintained by the higher copper price but costs increased and metal production decreased as a result of lower grade ore, recoveries and labour productivity. Ore reserves were maintained and substantial expenditures were made which should yield immediate and long term benefits. The search for new mineral deposits was accelerated with an expanded program in several parts of Canada and in Ireland, Spain, Mexico and New Caledonia. The copper mining interests of Southern Maryland Agricultural Association in Gaspé, Quebec, were acquired. In partnership an investigation commenced of the St. Patrick's copper mine at Avoca, Ireland. In Spain, Rio Tinto Patiño, S.A. increased substantially its copper-gold ore reserves and proceeded towards the completion of its integrated mine, mill, smelter, refinery, sulphuric acid complex. The drilling, testing and evaluation of the nickel bearing lands in New Caledonia, presently under option to your Corporation, continued to produce satisfactory results. Additional lands were optioned. Lytton Minerals Limited has outlined a low grade copper deposit in northern British Columbia and in Mexico commenced work on an interesting monzonite breccia copper prospect. Advocate Mines Limited had lower earnings but paid further arrears on its preference dividends. Brunswick Mining and Smelting Corporation Limited, affected by reduced lead and zinc prices, capital expenditure overruns and technical difficulties, made financial and management arrangements with Noranda Mines Limited. Consolidated Tin Smelters Limited, because of precautions taken against devaluation did not as a group suffer a loss of capital when sterling was devalued—however, the economic strictures existing in the United Kingdom render more difficult the Group's rationalization and immediate progress. Southern Maryland Agricultural Association had record earnings with successful meetings at its thoroughbred and standardbred tracks. CDRH Limited, in its current fiscal year, will show improved profits.

Lead, zinc and tin prices held barely steady in 1967 with support from special producer buying of lead, cuts in zinc output and buffer stock buying and restraint in the United States stockpile selling of tin. The lead and zinc markets were also aided by the smelter and refinery strikes in the United States. The copper price quite probably would have fallen if there had not been strikes in the United States. The

price of nickel was raised as consumption outstripped production. Asbestos prices were increased. In 1968 it is likely that with the exception of nickel and, conceivably copper, prices will continue under pressure.

Ten years have passed since the Patiño Group became active in Canada and five years since your Corporation assumed its present identity. In retrospect, those periods are distinct in form and progress. Although in these uncertain times to forecast is perilous, we are confident that the next five years will be stimulating, productive and profitable. We base this optimism on the assets in hand, the projects underway, the prospects in view and the management and financial resources of the Group which your Corporation heads.

Our appreciation of the support of Simon I. Patiño Succession and the efforts of all associated with the Group during an exacting year is gratefully recorded.

On behalf of the Board of Directors

A handwritten signature in dark ink, appearing to read "SRE Carter". The signature is fluid and cursive, with the first part "SRE" being more compact and the last name "Carter" written in a more extended, flowing script.

President and Chief Executive Officer

Toronto, March 29, 1968

Activities

Copper Rand Mines Division

Metal production was slightly lower than in 1966 despite the milling of a somewhat higher tonnage of ore. This resulted from the treatment of a more than normal amount (22 percent) of low-grade ore from blast-hole stopes at the Copper Rand and Jaculet mines and from excessive dilution in cut-and-fill and shrinkage stopes at the Copper Rand and Bouzan mines. Although high copper prices prevailed during most of the year, net earnings decreased slightly because of the lower copper production, higher operating costs and the continued shortage and turnover of labour. The planned development of the higher grade ore in the South Eaton Bay zone should result in increased production in 1968.

Exploration was aggressively pursued at all of the mines and ore developments continued to replace a larger ore tonnage than was milled. After treating 680,379 tons, ore reserves at year end were 4,987,500 tons grading 2.35 percent copper and 0.048 ounce gold. It is of interest that the present reserves are about equal to the total tonnage that has been milled since the start of operations in 1960, namely 5,140,379 tons grading 2.30% copper and 0.048 ounce gold.

Summary of Production

	1967			1966		
	Tons Milled	% Cu	Oz. Au	Tons Milled	% Cu	Oz. Au
Copper Rand	263,100	1.83		300,163	2.02	
Bouzan	73,514	1.86		35,205	2.16	
Jaculet	173,450	1.70		156,372	1.81	
Portage	162,035	2.13		137,637	2.05	
Quebec Chibougamau	8,280	1.87		21,833	1.41	
Total	680,379	1.88	0.035	651,210	1.97	0.036

Average daily mill rate	1,879 tons	1,824 tons
Metal production:		
copper	23,461,490 lbs.	24,330,866 lbs.
gold	18,543 ozs.	18,290 ozs.
silver	92,353 ozs.	119,249 ozs.

Summary of Underground Work

	Copper Rand	Bouzan	Jaculet	Portage	Others	Totals
Shaft sinking (ft.)	414	214			153	781
Shaft stations (cu. ft.)	31,305				18,000	49,305
Sumps (cu. ft.)		37,227				37,227
Drifts and cross cuts (ft.)	6,686	1,056	6,924	5,748	38	20,452
Raises	3,072	686	2,998	1,688		8,444
Diamond drilling (ft.)	65,809	7,138	41,028	35,315	3,181	152,471

Ore Reserves (to lowest level)

	As at December 31, 1967			As at December 31, 1966		
	Tons	% Cu	Oz. Au	Tons	% Cu	Oz. Au
Copper Rand	2,434,100	2.35	0.025	2,423,000	2.34	0.025
Bouzan	645,200	3.25	0.025	675,000	3.22	0.025
Jaculet	675,500	1.95	0.025	649,000	2.05	0.025
Portage	1,132,700	2.14	0.127	1,146,000	2.20	0.160
Copper Cliff	100,000	1.60				
Total	4,987,500	2.35	0.048	4,893,000	2.40	0.057

At the Copper Rand mine, deepening of the production shaft to 3,090 feet to provide six new levels progressed satisfactorily. Construction should begin on the ore and waste handling installations about mid-year. Development on the bottom level (1910-foot) has indicated a large potential tonnage of low-grade ore which might be mined by cheap blast-hole methods. In the Bouzan section plans and installations are being completed for the development of the higher-than-average grade ore in the South Eaton Bay zone.

A surface plant was installed at the Copper Cliff mine (No. 1 shaft) and sinking was started to provide four additional levels. Previous underground work indicated several shoots of low grade ore and good exploration possibilities are believed to exist in the area.

Operations at the Jaculet mine were routine. The exploration drive on the 900 level to permit exploration of the ore zones on the optioned Bateman Bay Mining Company property was advanced 640 feet. Some new ore should be developed by this program.

At the Portage mine, development work on the 1450 level and 1600-foot levels outlined 166,000 tons of ore grading 2.33% copper. Some of this ore will be mined by blast-hole and shrinkage methods which will provide greater flexibility and improve costs.

The known ore reserves at the Quebec Chibougamau property were exhausted and operations were suspended there in July; the lease agreement is being maintained to permit exploration of the ore possibilities in the northeast corner of the property.

In the mill, additional crushing equipment and a third fine-ore bin were installed to improve metallurgical efficiency, provide greater flexibility in the milling operations and possibly increase the daily milling rate.

Mineral Exploration

Your Corporation continued its aggressive search for mineral deposits. Exploration was carried out alone or in partnership with others in several parts of Canada and in Ireland, Spain, Mexico and New Caledonia.

In association with another company, prospecting and ground checking of airborne geophysical anomalies continued in the Chibougamau district of Quebec. Eight diamond drill holes indicated that anomalies were due to barren sulphides and graphite. Prospecting was also carried out in the Frotet-Troilus Lakes, Coom Lake, Mistassini Lake and Otish Mountains areas.

Your Corporation purchased from Southern Maryland Agricultural Association its interests in Gaspé, Quebec. Further exploration is planned on some of the properties by the partnership group. Drilling completed to date on the copper deposit located on the Sullico and Pekan claim groups has indicated 2,500,000 tons of probable ore grading 1.0% cu. A 2,500 foot adit is being considered to permit underground exploration of the deposit.

In northern British Columbia, near Dease Lake on the Cassiar-Stewart highway, Lytton Minerals Limited, an associated company, in partnership with another company, completed 41 additional holes totalling 22,036 feet, on a low-grade porphyry copper deposit. A substantial tonnage of 0.45% copper, mineable by open-pit methods, has been indicated. Further drilling is planned for this year. Lytton Minerals Limited conducted exploration in other parts of western Canada in association with another company, and in Mexico, a Mexicanized company (Minas del Otoño, S.A.) was incorporated to explore an interesting monzonite breccia copper prospect in Michoacan State. Geochemical sampling, geophysical surveys and sampling of the old mine workings were completed. Surface drilling and underground drilling are now in progress and results are encouraging.

Minas del Pacifico, S.A. carried out a drilling program on an optioned copper prospect in the State of Jalisco, Mexico but the results were disappointing and the option was terminated.

In association with two other groups an option was obtained on the St. Patrick's Copper Mine at Avoca, Ireland. Cross-cutting and drifting have been carried out on the 1670-level to provide stations for exploratory drilling of the South and Pond Lodes which is presently under way to investigate the downward extension of the South Lode to the 2450-level.

The 11 concessions in Ireland, jointly held with another company, have been optioned to American Smelting and Refining Company Limited which is carrying out geological mapping and geochemical surveys.

New Caledonia

Your Corporation increased its efforts to develop commercial deposits of nickel ore on lands held under option. Additional options were arranged with other miners over geologically favourable areas. Properties under option now cover 30,000 hectares (74,000 acres).

Five Mobile power drills operated most of the year, drilling approximately 20,000 feet in 265 holes. Assaying is being done in a chemical laboratory established at Poum at the north end of the island where the main deposit is located.

Drilling and investigations have been carried out in several areas, but the main efforts have been concentrated on the Poum deposit where it is believed that sufficient tonnages of ore will be developed to warrant the establishment of a treatment plant with a minimum annual capacity of 40 million pounds of nickel and cobalt. Ore thicknesses average 40 feet and the grade is about 2.0% nickel plus cobalt. The work to date on other properties has been limited but is now being accelerated and there are good possibilities of developing substantial additional ore.

To establish a nickel operation in New Caledonia it is necessary to obtain authorization from the Government of France. This is being sought.

Rio Tinto Patiño, S.A.

Rio Tinto Patiño, S.A. (RTP) is developing copper deposits in the Rio Tinto area located in southern Spain. As at February 29, 1968, over 80,000 feet of diamond drilling had been carried out establishing approximately 40 million short tons of ore grading 0.80% copper after dilution that can be mined by open pit methods. In addition, there are 16.5 million tons of gossan with 0.07 oz. gold and 1.7 oz. silver. Western Knapp Engineering Co. is making a feasibility study for concentrating plants with daily capacities of about 10,000 tons for the copper ore and 5,000 tons for the gossan.

Large areas of geologically favourable ground in southern and northern Spain are being explored by RTP with the assistance of your Corporation. An airborne geophysical survey has been completed and extensive ground follow-up exploration is planned.

A custom copper smelter and a refinery are to be constructed at Huelva, on the Atlantic seacoast, with an annual output of 55,000 tons of copper and a sulphuric acid plant with an annual capacity of 220,000 tons. This represents an increase of 25% in the originally announced capacity.

The entire mining and smelting projects will cost approximately US \$70,000,000. Spanish Government grants of 20%, substantial reductions of import duties and other benefits will accrue to the smelter complex. RTP has established loan credits to meet part of the required expenditures. Your Corporation's contribution to this financing will comprise approximately US \$21 million of which US \$8 million will be in equity and the balance US \$13 million in loans to be furnished to RTP by your Corporation's bankers repayable in five years from commencement of operations.

The present estimate is that production will begin in the first half of 1970. With the expected growth of the Spanish economy, RTP should prove to be a firm base to enter into allied fields.

*Consolidated Tin Smelters
Limited*

Consolidated Tin Smelters Limited (CTS) is the world's premier tin smelting group treating approximately 40% of the Free World tin production through its controlling interests in tin smelters in the United Kingdom, Malaysia and Nigeria and its one-third interest in an Australian smelter. In addition, CTS has interests in industrial companies in Britain, Europe and Australia and 58% of British Tin Investment Corporation, Limited (BTIC), an £18 million United Kingdom based investment trust.

On a 33 acre site near Liverpool construction has started on a new tin smelter and secondary metals works, the first stages of which are scheduled for completion in 1969. These works will use new furnace design, modern instrumentation and up-to-date mechanical handling equipment to permit maximum versatility and optimum economies in the treatment of a variety of complex tin ores.

Eastern Smelting Company Limited (Malaysia) had a successful year and increased its already substantial interests in certain principal Malaysian tin mines. Makeri Smelting Company Ltd. (Nigeria) had a profitable year despite the difficulties created by the civil war. The industrial companies, with interests in electrical laminations, road haulage, steel stockists, tin oxide production and aerial surveying, had relatively satisfactory operations taking into account the existing financial and other restrictions.

BTIC has invested approximately one-half of its £18 million portfolio in securities outside the United Kingdom and the balance in a general portfolio of British securities, including shares of Amalgamated Metal Corporation Limited (AMC) of which it is the largest single shareholder with over 25% of the ordinary shares. AMC, which operates in 26 countries and has some 80 subsidiaries, including British Metal Corporation Limited, Henry Gardner & Co., Limited and the Sternberg group, is a leading factor in the world metal trade, being a dealer in metals, metal ores and metal scrap and has interests in companies involved in commodity trading, cargo handling, construction, manufacturing, metal stockholding, mining and smelting. AMC has substantial equity interests in leading non-English metal groups including Norddeutsche Affinerie A.G. (20%) of Germany, Société Générale des Minerais, S.A. (17.7%) of Belgium and C. Tennant Sons & Co. of New York (46%) of U.S.A.

In the five years ended March 31st, 1967, CTS's group profit has more than doubled from £560,000 to £1,282,000 and members' total interest has increased from £8,656,000 to £12,899,000.

*The Southern Maryland
Agricultural Association of
Prince George's County,
Maryland, Inc.*

For the year ended December 31, 1967, consolidated net profit was \$932,800 (\$468,054), or \$1.28 (\$.64) per share. Assets increased to \$14,101,553 (\$13,927,251), long term debt decreased to \$9,230,407 (\$9,677,281) and shareholders' equity rose to \$4,292,451 (\$3,319,651).

Pari mutuel handle for the 53-day meet at Bowie Race Course was \$59.1 million compared with \$50.9 million for the 51-day meet held in 1966. This was the second highest year for handle and attendance since the purchase of Bowie in 1962. Additions to plant and facilities for the 1968 meet included construction of a new racing oval, fireproof barns, paving and improvements to the barn area.

At Freehold Raceway, thirty additional racing days were added to the sixty days awarded in prior years. Pari mutuel handle for the ninety days was \$46.1 million compared with \$30.6 million in 1966. Several factors—in addition to the thirty added racing days—contributed to the increase: the new racing oval of the latest design produced many racing records and was officially rated equal to the finest in the industry; patron milling area between the grandstand and oval was enlarged and 2,500 additional seats were installed which increased the overall plant capacity from 15,000 to 25,000 patrons.

With the sale of its interests in the Gaspé mining properties, SMAA's activities in mining and exploration terminated.

CDRH Limited

For the year ended April 30, 1967, consolidated net profit was \$891,702 (\$489,968) or \$1.49 (\$.82) per share—included was \$103,512 (\$111,382) for claims received on work completed in prior years and \$18,623 (\$17,030) interest earned on investments. The 1967 earnings include the results of a full year's operations for Ruby Foo's restaurant and motor hotel compared with five months in 1966.

The net profit for the six months ended October 31, 1967 of \$677,921 (\$351,297) reflects abnormally successful results for the restaurant and motor hotel division due to "Expo 67" and the substantial completion of construction contracts in hand at April 30, 1967. During this period, long term debt was reduced by \$827,769 to \$4,526,310. In the normal course, earnings for the remainder of the fiscal year would be substantially lower than either the first half of the current fiscal year or the last half of the year ended April 30, 1967 with the return to pre-Expo earnings from the restaurant and motor hotel division and the usual winter season reduction in construction and dredging operations.

On January 27, 1968, a wholly-owned subsidiary acquired the industrial catering and camp accommodation businesses of Fortier & Associated Companies, with head office in Edmonton, Alberta and it is anticipated that its earnings contribution will result in a larger net profit for the CDRH fiscal year ending April 30, 1968 compared to the previous year.

Advocate Mines Limited

Net income was \$1,865,651 (\$2,506,726), the decrease being attributed to higher mining costs resulting from a 23% increase in the tons of material mined and an extraordinary \$200,000 payment for road paving. Ore reserves at December 31, 1967 after mining 1.9 million tons were 67 million tons (55 million tons). Preference share dividends aggregating \$1,143,148 were paid and further payments will be made in 1968 on the \$2,416,500 arrears at December 31, 1967. Although domestic and foreign demand for fibre has softened with decreased industrial activity, 1968 production, shipments and earnings should be comparable to those in 1967.

An arrangement was entered into with Noranda Mines Limited in mid 1967 to provide financing and management and, at its option, eventual control. The results for 1967 have not been published.

Brunswick has two lead-zinc-silver mines with ore reserves in the order of 80 million tons averaging 2.7% lead, 7% zinc and 2 ounces of silver per ton. The company mines and treats some 6,900 tons of ore per day and produces separate lead and zinc concentrates, as well as a bulk lead-zinc concentrate. The ore is refractory and recoveries in the concentrator are relatively low. The production of the bulk lead-zinc concentrate, which is not marketable as such, is a means of improving the overall recoveries.

At Belledune, Brunswick owns East Coast Smelting and Chemical Company Limited which operates a lead-zinc smelter using the Imperial Smelting process, and Belledune Acid Limited, operating a related sulphuric acid plant. The plant of Belledune Fertilizer Limited, 50% owned by Brunswick, forms part of the complex and consumes the production of the acid plant.

The smelter installation at Belledune was designed to treat the bulk concentrate and recover refined lead, zinc, silver and several minor constituents. Initial operation from October 1966 until April 1967 was unsuccessful and resulted in serious financial losses. Since then fairly regular production has been achieved, but at less than capacity, and the full potential of the plant will not be realized until many revisions to plant and processes have been made. These are proceeding as quickly as possible.

The Patiño Mining Corporation (No Personal Liability) and Consolidated Subsidiaries

**Consolidated
Statement
of Earnings**

	Year Ended	December 31 1967	December 31 1966
Revenue			
Metal sales		\$12,452,000	\$12,959,000
Dividend income, less taxes withheld		1,236,000	951,000
Other income, including profit on sale of marketable securities		408,000	86,000
		<u>14,096,000</u>	<u>13,996,000</u>
Expenses			
Mine operating, milling and general		5,956,000	5,584,000
Smelting, refining and freight		2,356,000	2,363,000
Corporate and administrative		453,000	443,000
Interest		204,000	379,000
Mining taxes		149,000	372,000
		<u>9,118,000</u>	<u>9,141,000</u>
		<u>4,978,000</u>	<u>4,855,000</u>
Amortization of deferred expenditures		1,245,000	1,263,000
Depreciation		680,000	670,000
Outside exploration written off		530,000	523,000
		<u>2,455,000</u>	<u>2,456,000</u>
Net earnings		<u>\$ 2,523,000</u>	<u>\$ 2,399,000</u>

**Consolidated
Statement of
Earned Surplus**

	Year Ended	December 31 1967	December 31 1966
Balance, beginning of year		\$ 9,908,000	\$ 8,478,000
Net earnings		2,523,000	2,399,000
Net gain on disposal of investments		2,110,000	—
		<u>14,541,000</u>	<u>10,877,000</u>
Deduct: Dividends paid		1,254,000	969,000
Balance, end of year		<u>\$13,287,000</u>	<u>\$ 9,908,000</u>

(See accompanying notes to financial statements.)

The Patiño Mining Corporation (No Personal Liability) and Consolidated Subsidiaries


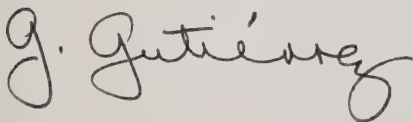
**Consolidated
Balance Sheet**

Assets

	December 31 1967	December 31 1966
Current Assets		
Cash	\$ 5,000	\$ 3,000
Marketable securities, at cost (market value 1967 \$725,000; 1966 \$1,427,000)	754,000	1,519,000
Accounts receivable	298,000	381,000
Estimated amount receivable for concentrates	3,636,000	3,510,000
Inventory of supplies, and prepaid expenses	555,000	600,000
	<u>5,248,000</u>	<u>6,013,000</u>
Investments, at cost		
Non-consolidated subsidiaries	14,497,000	11,530,000
Associated and other companies		
Securities having a quoted market value, (market value 1967 \$14,769,000; 1966 \$20,293,000)	6,633,000	12,534,000
Other securities	4,542,000	3,820,000
	<u>25,672,000</u>	<u>27,884,000</u>
Property, Plant and Equipment, at cost		
Plant, equipment and townsite	9,336,000	8,577,000
Less: Accumulated depreciation	6,523,000	5,844,000
	<u>2,813,000</u>	<u>2,733,000</u>
Mining properties	2,554,000	2,554,000
	<u>5,367,000</u>	<u>5,287,000</u>
Other Assets		
Deferred expenditures, at cost	20,727,000	19,797,000
Less: Amortization	9,177,000	7,932,000
	<u>11,550,000</u>	<u>11,865,000</u>
Mining projects at cost, less amounts written off	4,563,000	1,479,000
Special refundable tax	84,000	111,000
	<u>16,197,000</u>	<u>13,455,000</u>
	<u><u>\$52,484,000</u></u>	<u><u>\$52,639,000</u></u>

(See accompanying notes to financial statements)

Liabilities and Shareholders' Equity

	December 31 1967	December 31 1966
Current Liabilities		
Bank advances (secured)	\$ 111,000	\$ 1,464,000
Bankers' acceptances (secured)	700,000	2,000,000
Accounts payable	954,000	692,000
Amounts owing to associated companies	348,000	—
Mining tax payable	129,000	196,000
Property purchase obligation instalment	300,000	300,000
	<u>2,542,000</u>	<u>4,652,000</u>
Non-Current Liabilities		
Property purchase obligation	—	300,000
Bank loan (secured)	—	3,600,000
	<u>—</u>	<u>3,900,000</u>
Shareholders' Equity		
Share capital, par value \$6.50 per share		
Authorized: 5,000,000 shares		
Issued: 4,236,800 shares (1966 3,875,550 shares)	27,539,000	25,191,000
Premium on shares issued	9,116,000	8,988,000
Earned surplus	13,287,000	9,908,000
	<u>49,942,000</u>	<u>44,087,000</u>
Commitments and Contingent Liability (see accompanying notes)		
Signed on behalf of the Board:		
		
Director		
		
Director	<u>\$52,484,000</u>	<u>\$52,639,000</u>

The Patiño Mining Corporation (No Personal Liability) and Consolidated Subsidiaries

**Consolidated
Statement of
Source and
Application
of Funds**

	Year Ended	December 31 1967	December 31 1966
Source of Funds			
Net earnings		\$ 2,523,000	\$ 2,399,000
Depreciation		680,000	670,000
Amortization of deferred expenditures		1,245,000	1,263,000
Issue of shares		2,476,000	72,000
Non-current bank loan		—	350,000
Sale of investments		11,826,000	—
		<u>18,750,000</u>	<u>4,754,000</u>
Application of Funds			
Deferred expenditures		930,000	590,000
Plant and equipment (net)		760,000	125,000
Property purchase obligation		300,000	300,000
Acquisition of investments		7,504,000	1,487,000
Dividends		1,254,000	969,000
Mining projects (net)		3,084,000	1,078,000
Special refundable tax		(27,000)	111,000
Non-current bank loan		3,600,000	—
		<u>17,405,000</u>	<u>4,660,000</u>
Increase in Working Capital			
Working capital, beginning of year		1,361,000	1,267,000
Working capital, end of year		<u>2,706,000</u>	<u>1,361,000</u>
		<u>\$ 1,345,000</u>	<u>\$ 94,000</u>

(See accompanying notes to financial statements.)

Notes to Consolidated Financial Statements

Basis of Consolidation

The consolidated financial statements include the accounts of all subsidiaries except Consolidated Tin Smelters Limited (and its subsidiaries), referred to in the note below, and one other subsidiary which is relatively unimportant as to net assets and earnings, the investment in which is carried at \$153,000 (1966 \$152,000).

Consolidated Tin Smelters Limited

At December 31, 1967, the Company held 2,589,607 ordinary shares (2,198,583) of Consolidated Tin Smelters Limited carried at \$14,344,000 (\$11,378,000). The holding represents 66% (56%) of the outstanding ordinary shares of that company and had a quoted market value of \$26,777,000 (\$16,204,000).

Income from the investment is included in the consolidated statement of earnings only to the extent of dividends received. During 1967, dividends received, less withholding tax, amounted to \$1,006,000 (\$808,000).

Investments in Associated and Other Companies

	Number of shares or par value	Percentage of outstanding shares	Quoted market value
<i>Securities having a quoted market value:</i>			
Common Shares			
Advocate Mines Limited.....	600,000	10%	\$ 1,770,000
Brunswick Mining and Smelting Corporation Limited....	978,400	5% (*)	4,843,000
CDRH Limited.....	51,820	36% (*)	427,000
Lytton Minerals Limited (350,000 escrowed).....	1,390,000	45%	1,126,000
The Southern Maryland Agricultural Association of Prince George's County, Maryland, Inc.....	314,052	43%	3,901,000
Convertible Debentures			
CDRH Limited, 6½% due June 8, 1971-75.....	\$ 929,670	(see above)	2,557,000
Miscellaneous Securities.....			145,000
			<u>\$14,769,000</u>
<i>Other Securities:</i>			
Preference Shares: \$100 par value			
Advocate Mines Limited.....	30,967	17%	
Common Shares: partly paid			
Rio Tinto Patiño, S.A.....	160,000	40%	

*Adjusted to reflect dilution which may occur on exercise of conversion privileges and of outstanding options on unissued shares.

It should be noted, particularly with respect to substantial holdings (including holdings referred to in the note above) that the values may be more or less than indicated by market quotations.

Mining Projects

The amount shown for mining projects consists mainly of the cost of drilling, testing, evaluating and acquiring options on mining properties in New Caledonia.

Shareholders' Equity

During 1967, options were exercised on 361,250 shares of the Company for a total consideration of \$2,476,000, of which \$128,000 was credited to premium on shares issued. Options are outstanding for 41,200 shares at prices from \$6.00 to \$8.50 (expiring 1972 to 1974) under an executive incentive plan, and 100,000 shares at \$7.00 per share (expiring July 31, 1968) to Compañía de Bonos, Acciones y Negocios Industriales S.A.

Commitments

The Company has undertaken to guarantee certain bank loans to a maximum amount of \$15,000,000 U.S. to be made to Rio Tinto Patiño, S.A. in Spain. In addition, the Company was committed to outlays of up to \$1,800,000 relative to this project.

Contingent Liability

The Company is contingently liable under a guarantee of 7% First Mortgage bonds of Canadian Dredge & Dock Limited amounting to \$1,482,000 as at December 31, 1967. The Company holds security under the assignment of a debenture issued by that company.

Remuneration of Directors and Senior Officers

Directors and senior officers of the Company received, in 1967, total remuneration of \$303,000 of which only \$25,000 (directors' fees) was paid by the Company. The remaining amount of \$278,000 was paid almost entirely by a non-consolidated subsidiary which provides services to companies in, or connected with, the Patiño group in return for management fees. A material portion of the total remuneration, as above, was therefore borne by associated companies whose accounts are not consolidated in the accompanying statements.

Corporation Income Taxes

No provision has been made for income taxes as deductions permitted for tax purposes exceed profits otherwise taxable.

**Auditors'
Report**

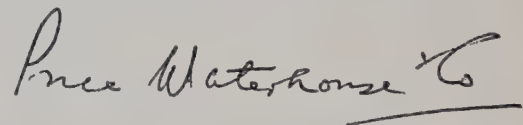
Price Waterhouse & Co.

55 Yonge Street
Toronto 1
February 21st, 1968

To the Shareholders of The Patiño Mining Corporation (No Personal Liability):

We have examined the consolidated balance sheet of The Patiño Mining Corporation (No Personal Liability) and consolidated subsidiaries as at December 31, 1967 and the consolidated statements of earnings, earned surplus and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at December 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Chartered Accountants.

Five Year Financial Summary

For The Year (in thousands)	1967	1966	1965	1964	1963
Metal sales	\$12,452	\$12,959	\$11,789	\$11,915	\$11,342
Dividends and other income	1,644	1,037	989	568	358
Total revenue	14,096	13,996	12,778	12,483	11,700
Operating costs	9,118	9,141	8,571	8,603	8,037
Amortization and depreciation	1,925	1,933	1,907	1,854	1,844
Outside exploration written off	530	523	138	50	4
Total expenses	11,573	11,597	10,616	10,507	9,885
Net earnings	\$ 2,523	\$ 2,399	\$ 2,162	\$ 1,976	\$ 1,815
Gain on disposal of investments	\$ 2,110	—	—	\$ 3,975	\$ 219
Cash flow	7,088	4,855	4,207	7,855	3,882
Expenditures on plant and equipment	760	125	110	174	159
Deferred development expenditures	930	590	508	1,060	1,242
Expenditures on mining projects and exploration	3,614	1,601	514	75	4
Dividends paid	1,254	969	952	730	547
Per share	30¢	25¢	25¢	20¢	15¢
At The Year-End (in thousands)					
Working capital	\$ 2,706	\$ 1,361	\$ 1,266	\$ 2,853	\$ 669
Investments at cost	25,672	27,884	26,397	21,492	18,027
<i>at market</i>	46,241	40,468	46,409	40,699	28,527
Property, plant and equipment (net)	5,367	5,287	5,833	6,394	6,879
Deferred development expenditures (net)	11,550	11,865	12,539	13,267	13,402
Mining projects, less amounts written off	4,563	1,479	400	—	—
Other assets	84	111	—	25	101
Non-current liabilities	—	(3,900)	(3,850)	(3,997)	(4,297)
Shareholders' equity at book value	49,942	44,087	42,585	40,034	34,781
Unrealized appreciation on quoted investments	20,569	12,585	20,012	19,207	10,500
	<u>\$70,511</u>	<u>\$56,672</u>	<u>\$62,597</u>	<u>\$59,241</u>	<u>\$45,281</u>

The Patiño Group

*The Patiño Mining Corporation
Exploration & Mining Division*

Copper Rand

C. M. Marshall, Mine Manager
J. Laprairie, General Superintendent
C. Eggert, Mill Superintendent
M. J. Tessier, Mechanical Superintendent
R. Dwelly, Chief Mine Geologist
R. Weitzdoerfer, Chief Mine Engineer
D. H. Mather, Administrative Manager

Canada

D. W. Asbury, Chief Exploration Geologist

Spain

Dr. R. H. T. Garnett, Exploration Manager

New Caledonia

J. H. Shepherd, Resident Geologist
W. C. Nancarrow, Resident Mining Engineer

Mexico

P. Eckman, Exploration Manager

*Consolidated
Tin Smelters Group*

Consolidated Tin Smelters Limited

E. R. E. Carter, Chairman
A. R. Andrew, Managing Director
G. T. Bodkin, General Manager
G. Seddon, Secretary
H. G. Barker, Financial Controller

Williams, Harvey & Co. Limited

Dr. S. C. Pearce, Managing Director

Eastern Smelting Company Limited

F. J. Steggall, O.B.E., Chairman
R. J. Tolley, Managing Director
J. McKeown, Secretary

Makeri Smelting Company Ltd.

S. Davis, Chairman & Managing Director
P. D. Sampson, Secretary

Consolidated Tin Smelters (Australia) Pty. Limited

C. N. M. Walker, Chairman
F. E. Wraight, Managing Director

British Tin Investment Corporation, Limited

E. R. E. Carter, Chairman
P. J. Norton, Secretary

*The Southern Maryland
Agricultural Association of
Prince George's County,
Maryland, Inc.*

E. R. E. Carter, Chairman
F. G. Tucker, President & Chief Executive Officer
S. P. Ogryzlo, Vice-President (Mining)
J. F. Loomer, Vice-President (Racing)
D. S. Muir, Assistant to the President & Treasurer
J. W. Lay, Secretary

*CDRH Limited
and its wholly-owned
subsidiaries*

E. R. E. Carter, Chairman
F. G. Tucker, President & Chief Executive Officer
R. J. Schneider, Vice-President (Construction)
T. Amadori, Vice-President (Restaurant & Hotel)
L. A. Fortier, Vice-President (Industrial Catering)
D. S. Muir, Assistant to the President & Treasurer
I. D. Leopold, President, Ruby Foo's Limited
D. A. Cox, Assistant Treasurer
J. W. Lay, Secretary

*The English text of this annual report
can be obtained by writing
to the Company, at 7 King Street East,
Toronto 1, Ontario, Canada.*

*On pourra se procurer le texte français
de ce rapport annuel en s'adressant
à la Société, 7 King Street East,
Toronto 1, Ontario, Canada.*

